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SENATE BILL 6063

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State of Washington

60th Legislature

2007 Regular Session

By Senator Haugen

Read first time 02/16/2007. Referred to Committee on Ways & Means.

1 AN ACT Relating to property tax exemptions for nonprofit  
2 organizations and associations; amending RCW 84.36.030; and reenacting  
3 and amending RCW 84.36.805.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 84.36.030 and 2006 c 305 s 1 are each amended to read  
6 as follows:

7 The following real and personal property shall be exempt from  
8 taxation:

9 (1)(a) Property owned by nonprofit organizations or associations,  
10 organized and conducted for nonsectarian purposes, which shall be used  
11 for character-building, benevolent, protective or rehabilitative social  
12 services directed at persons of all ages.

13 (b) The sale of donated merchandise shall not be considered a  
14 commercial use of the property under this section if the proceeds are  
15 devoted to the furtherance of the purposes of the selling organization  
16 or association as specified in this subsection (1).

17 (c) In a county with a population of less than twenty thousand, the  
18 rental or use of property, owned by a nonprofit organization or

1 association described in (a) of this subsection, by a person, group, or  
2 organization in one of the following ways shall not nullify the  
3 exemption:

4 (i) The property may be rented or used for pecuniary gain or for  
5 business activities or by individuals, groups, and organizations for  
6 private purposes if the rental or use:

7 (A) Does not exceed fifteen days each assessment year;

8 (B) No comparable private for-profit facility exists within ten  
9 miles of the property that could be used for the same purpose for which  
10 the property is loaned or rented; and

11 (C) All income from the rental or use of the exempt property is  
12 used for capital improvements to the exempt property, maintenance and  
13 operation of the exempt property, or for exempt purposes; or

14 (ii) The property is rented or used by a nonprofit community group  
15 or other nonprofit organization that might not qualify for exemption if  
16 it owned the property as long as the rental or use of the property:

17 (A) Does not exceed fifteen days each assessment year;

18 (B) Does not result in pecuniary gain;

19 (C) Does not involve business activities;

20 (D) Is always for the general public good; and

21 (E) All income from the rental or use of the exempt property is  
22 used for capital improvements to the exempt property, maintenance and  
23 operation of the exempt property, or for exempt purposes.

24 (d) The exemption under this subsection is not nullified by the  
25 lease or rental of the property to entities not eligible for a property  
26 tax exemption under this chapter if (i) the property is used a majority  
27 of the time for the exempt purpose by the nonprofit organization or  
28 association, (ii) the amount of the rent or donations collected is  
29 reasonable, and (iii) the proceeds are used to retire the first  
30 mortgage on the property.

31 (2) Property owned by any nonprofit church, denomination, group of  
32 churches, or an organization or association, the membership of which is  
33 comprised solely of churches or their qualified representatives, which  
34 is utilized as a camp facility if used for organized and supervised  
35 recreational activities and church purposes as related to such camp  
36 facilities. The exemption provided by this paragraph shall apply to a  
37 maximum of two hundred acres of any such camp as selected by the  
38 church, including buildings and other improvements thereon.

1 (3) Property, including buildings and improvements required for the  
2 maintenance and safeguarding of such property, owned by nonprofit  
3 organizations or associations engaged in character building of boys and  
4 girls under eighteen years of age, and used for such purposes and uses,  
5 provided such purposes and uses are for the general public good:  
6 PROVIDED, That if existing charters provide that organizations or  
7 associations, which would otherwise qualify under the provisions of  
8 this paragraph, serve boys and girls up to the age of twenty-one years,  
9 then such organizations or associations shall be deemed qualified  
10 pursuant to this section.

11 (4)(a) Property owned by all organizations and societies of  
12 veterans of any war of the United States, recognized as such by the  
13 department of defense, which shall have national charters, and which  
14 shall have for their general purposes and objects the preservation of  
15 the memories and associations incident to their war service and the  
16 consecration of the efforts of their members to mutual helpfulness and  
17 to patriotic and community service to state and nation. To be exempt  
18 such property must be used in such manner as may be reasonably  
19 necessary to carry out the purposes and objects of such societies.

20 (b) The use of the property for pecuniary gain or for business  
21 activities, except as provided in this subsection (4), nullifies the  
22 exemption otherwise available for the property for the assessment year.  
23 The exemption is not nullified by:

24 (i) The collection of rent or donations if the amount is reasonable  
25 and does not exceed maintenance and operation expenses.

26 (ii) Fund-raising activities conducted by a nonprofit organization.

27 (iii) The use of the property for pecuniary gain for periods of not  
28 more than fifteen days in a year.

29 (c) An inadvertent use of the property in a manner inconsistent  
30 with the purpose for which exemption is granted, if the inadvertent use  
31 is not part of a pattern of use. A pattern of use is presumed when an  
32 inadvertent use is repeated in the same assessment year or in two or  
33 more successive assessment years.

34 (5) Property owned by all corporations, incorporated under any act  
35 of congress, whose principal purposes are to furnish volunteer aid to  
36 members of the armed forces of the United States and also to carry on  
37 a system of national and international relief and to apply the same in

1 mitigating the sufferings caused by pestilence, famine, fire, floods,  
2 and other national calamities and to devise and carry on measures for  
3 preventing the same.

4 (6) Property owned by nonprofit organizations exempt from federal  
5 income tax under section 501(c)(3) of the internal revenue code of  
6 1954, as amended, that are guarantee agencies under the federal  
7 guaranteed student loan program or that issue debt to provide or  
8 acquire student loans.

9 (7) To be exempt under this section, the property must be used  
10 exclusively for the purposes for which exemption is granted, except as  
11 provided in RCW 84.36.805.

12 (8) For the purposes of this section, "general public good" means  
13 members of the community derive a benefit from the rental or use of the  
14 property by the nonprofit community group or organization.

15 **Sec. 2.** RCW 84.36.805 and 2006 c 319 s 1 and 2006 c 226 s 3 are  
16 each reenacted and amended to read as follows:

17 (1) In order to qualify for an exemption under this chapter, the  
18 nonprofit organizations, associations, or corporations must satisfy the  
19 conditions in this section.

20 (2) The property must be used exclusively for the actual operation  
21 of the activity for which exemption is granted, unless otherwise  
22 provided, and does not exceed an amount reasonably necessary for that  
23 purpose, except:

24 (a) The loan or rental of the property does not subject the  
25 property to tax if:

26 (i) Except for the exemption under RCW 84.36.030(1)(d), the rents  
27 and donations received for the use of the portion of the property are  
28 reasonable and do not exceed the maintenance and operation expenses  
29 attributable to the portion of the property loaned or rented; and

30 (ii) Except for the exemptions under RCW 84.36.030 (1)(d) and (4),  
31 84.36.037, 84.36.050, and 84.36.060(1) (a) and (b), the property would  
32 be exempt from tax if owned by the organization to which it is loaned  
33 or rented;

34 (b) The use of the property for fund-raising activities does not  
35 subject the property to tax if the fund-raising activities are  
36 consistent with the purposes for which the exemption is granted.

1 (3) The facilities and services must be available to all regardless  
2 of race, color, national origin or ancestry.

3 (4) The organization, association, or corporation must be duly  
4 licensed or certified where such licensing or certification is required  
5 by law or regulation.

6 (5) Property sold to organizations, associations, or corporations  
7 with an option to be repurchased by the seller shall not qualify for  
8 exempt status. This subsection does not apply to property sold to a  
9 nonprofit entity, as defined in RCW 84.36.560(7), by:

10 (a) A nonprofit as defined in RCW 84.36.800 that is exempt from  
11 income tax under section 501(c) of the federal internal revenue code;

12 (b) A governmental entity established under RCW 35.21.660,  
13 35.21.670, or 35.21.730;

14 (c) A housing authority created under RCW 35.82.030;

15 (d) A housing authority meeting the definition in RCW  
16 35.82.210(2)(a); or

17 (e) A housing authority established under RCW 35.82.300.

18 (6) The department shall have access to its books in order to  
19 determine whether the nonprofit organization, association, or  
20 corporation is exempt from taxes under this chapter.

21 (7) This section does not apply to exemptions granted under RCW  
22 84.36.020, 84.36.032, 84.36.250, and 84.36.260.

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